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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BEN2074 - ENTREPRENEURSHIP

(All sections / groups)

13 OCTOBER 2018
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **6 (SIX) pages** excluding the cover page.
2. This question paper consists of **TWO (2) sections**. Answer all questions.
3. Please write all your answers in the Answer Booklet provided.

SECTION A (40 marks)**Survival of the prettiest: Malaysian beauty marketplace Bfab gets a makeover**

Founded by Rocket Internet alumnus Pawel Netreba, Bfab launched its online marketplace for the Malaysian capital's beauty and wellness industry in January 2016.

He had considered entering a variety of verticals using the marketplace model he learned while managing the Malaysian operations of Foodpanda, back when it was still a Rocket Internet company.

Netreba and his co-founders, Sergey Gaydar and Raeesa Sya, settled on beauty and wellness services since they found it to be a particularly fragmented and offline-driven industry, with no dominant player despite an oversupply of service providers. Also, consumers were becoming more accustomed to accessing services online or through mobile apps, suggesting there was potential demand for a beauty and wellness marketplace.

Brick-and-mortar businesses like hairdressers, nail salons, and spas were invited to list on Bfab's platform. Customers could then surf the site to find whatever service they require, compare prices, and book an appointment with their chosen merchant.

Bfab experienced several months of decent traction. More than 2,000 salons and beauty professionals signed up to take bookings through its portal by November 2016.

In the same month, Bfab secured a six-figure US dollar amount in funding from Captii Ventures. This came after an earlier six-figure seed raise from Captii, 500 Startups, and KK Fund in late 2015, prior to the platform's soft launch.

"However, we figured out pretty quickly there's a limit – a majority of people still prefer to go directly to these guys, using WhatsApp to book, and they didn't need our booking platform," Netreba tells *Tech in Asia*.

Something's up

At first, Bfab tried to tackle this problem with an offline strategy. The startup sought to build its brand with a media push, talking to magazines, attending events, and sharing social media posts from celebrities that mentioned it.

It also tried to ply Kuala Lumpurians with promo codes, money-off vouchers, and other special offers. But these tactics quickly took their toll on Bfab's time, energy, and money.

"Eventually, we said it's not going to work in terms of unit economics," says Netreba. "A purely B2C booking platform won't work with limited financial resources – we needed a much bigger budget to change the behavior of the consumers. The salon side was no problem."

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We were actually increasing the supply side. But we were investing our marketing dollars into educating the consumers.”

Moreover, it faced fierce competition in the space from the few rivals that managed to survive. “Most of the startups in this field died, except for the well-funded Vaniday, Vanitee, and ourselves,” he says. “These startups died, no one really was succeeding, and it was because of this.”

We sat down and said, ‘What actually is the problem here?’

By the time Bfab’s second tranche of venture capital arrived, the platform had been live for about four months. But its projected marketing spend was going up, and would get increasingly difficult to convince investors to foot that bill without seeing a tangible, positive effect.

Netreba and his team now found themselves stuck, spending what limited money they had left on trying to persuade consumers who could easily revert to their habit of booking appointments directly with their stylists or massage therapists.

The probability that they might have to pull the plug on the business soon grew with each passing day. Undeterred, they decided to look again at the market and the role Bfab should be playing within it.

“So we sat down and said, ‘What actually is the problem here?’,” says Netreba. If these merchants’ customers still book via WhatsApp or a phone call, then why did so many salons and beauty professionals sign up for Bfab in the first place?

Eureka moment

The Bfab team worked out that customer attraction and retention were the core issues facing most merchants. They found it difficult to secure regular customers, and many didn’t make repeat visits. By signing up with Bfab, they hoped to find a source of new customers to make up the shortfall.

“They have this fundamental problem: they never took care of their existing customer base, never understood them,” explains Netreba. “They weren’t communicating with them – [not] with regular emails, new updates, new promotions. They didn’t do anything in terms of CRM [customer relationship management].”

Digging deeper, the Bfab team found that most of their merchant partners didn’t database their clientele, didn’t analyse the demographics, and rarely stored email addresses or phone numbers. When asked how many customers they had, they couldn’t give a definitive answer. Moreover, this meant they couldn’t easily determine the number of customers and which ones returned to book a second appointment.

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“In short, they didn’t have easy-to-use tools to do the numbers and analytics,” says Netreba. “We came to the conclusion that 60 percent [of merchants] were totally manual – even bigger outlets with three or four branches were manual. The few that had software typically had a 10-year-old old POS [point-of-sale system] for their invoices, and were using Excel for their customer data.”

It was then that Bfab realized there was a need for a software-as-a-service solution in the beauty and wellness space. The decision to pivot to a B2B model, providing a whole suite of services from customer communications and POS to invoice and inventory management, was made.

Bfab began building around its simple, existing in-house CRM, working with its merchant partners to customize the new cloud-based platform – named Bfab Pro – to their needs.

Since releasing a rough alpha version of the software in April, the startup has signed up more than 30 merchants – including not just beauty salons and spas but also physiotherapists, opticians, and fashion designers – to road-test the platform and report bugs.

Adapted from: <https://ctrlshift.co/2017/12/04/survival-of-the-prettiest-malaysian-beauty-marketplace-bfab-gets-a-makeover/>

Answer the following questions.

- a) What would be the customer problems that Bfab had wanted to address initially and after they changed their business model to the B2B (business-to-business) model?
(8 Marks)
- b) Based on the case and your knowledge in business model canvas, develop a business model for Bfab pro. The template of the business model is given in the appendix. You may use your logical assumption in completing the business model canvas.
(18 marks)
- c) How will the value proposition and revenue stream change when their business model changes from B2C (business-to-customer) to B2B? Suggest **TWO (2)** possible changes.
(8 Marks)
- d) Based on your knowledge, how can Netreba and his team could avoid the mistake in launching the B2C model of Bfab?
(6 marks)

(Total 40 Marks)

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SECTION B (60 marks)**QUESTION 1**

- a) Explain the concept of corporate entrepreneurship and provide a situation or an example to describe corporate entrepreneurship. (5 Marks)
- b) One way to identify business opportunities is through finding gaps in the marketplace.
- i. Identify the possible gaps in the marketplace for fast food in Malaysia. (4 Marks)
- ii. Innovate the fast food business to capture the business opportunity with the niche segment of customers that you have identified. Clearly describe the new product or service or business model. Highlight the key features that fit the niche market segment. (6 Marks)
- iii. Suggest a viable promotion channel to market your new fast food product to the niche segment. Justify your suggestion. (5 Marks)
- (Total 20 Marks)**

QUESTION 2

- a) Your start up team has recently created a new product - vegan cheese. You were tasked to conduct the product feasibility analysis on this new product. Your initial market study suggested that the potential customers are widely segregated throughout Malaysia with most of them are located in big cities like Kuala Lumpur, Georgetown and Johore Bahru. Also, they are from all different age groups. Your product feasible analysis should as much as possible derive samples from all of them. Suggest **TWO (2)** ways on how the product feasibility analysis can be conducted. (8 Marks)
- b) The ability to meet the financial objectives is the key to success for any businesses. As the only member of the start-up team with business and financial knowledge, advise the team on the process of financial management. Briefly explain the **FOUR (4)** steps of financial management and the financial statements needed in each step. (12 Marks)
- (Total 20 Marks)**

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QUESTION 3

- a) Explain **FOUR (4)** reasons for firm growth.

(12 Marks)

- b) Businesses go through a life cycle and most of them will reach the stage of maturity and eventually decline. Suggest **TWO (2)** possible ways to avoid a business entering the decline stage.

(8 Marks)

(Total 20 Marks)

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Appendix – Business Model Canvas

The Business Model Canvas			Designed for:	Date:	Version:
Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 	
	Key Resources 				
Cost Structure 			Revenue Streams 		

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